

Franchise Relationship: The Nigeria Situation

Abstract:

Franchise relationships between firms and nations as franchisors and franchisees as contributor to economic development based on the creation of employment, infrastructural development and generation of income to nations among others have shown in-balance against Nigeria. While Nigeria enjoys relatively, the benefits associated with creation of employment and development of infrastructure, it has recorded deficit in income generation as a result of capital flight and profit remittances to franchisor firms and nations. This creates trade in-balance against Nigeria. This work established reasons for the high number of franchisors firms and nations in Nigeria and little or no presence of Nigeria firms as franchisors in other nations. This involved the use of copies of questionnaire (close and open ended structured) that were scaled based on Likert modified ranking principle and data analysed using analysis of variance (ANOVA), pearson correlation co-efficient 'R', 't' statistics for difference of means, spearman's rank correlation co-efficiency among others. Identified as problems of poor Nigerian firms' presence beyond the shores are product oriented, poor disposition to direct losses in investment and their management as well as high level of cost evasiveness among Nigeria entrepreneurs. This situation of franchise relationship in-balance could be managed based, on the adoption of pro-active rather re-active management principles, given good choice of franchisees and understanding of legal environment of franchisees' nations.

Keywords: Trade in-balance, franchisor, franchisee, risk evasiveness, and franchise commitment.

Introduction:

Franchising as a variation of licensing alternative to international market entry strategy is considered to be in vogue in the developed economy of USA-Berkowitz, Kerin, Hartley and Rudelius (2000), hence over 35, 000 franchises of US firms are located in different countries throughout the globe. These franchises are in the areas of soft drink, motel, retailing, fast food, car rental operation and other varieties of business services, thus accounts for over 70% of the income of franchising firms based on non-US operations-McDonald's Annual Report (1998), times (1998 a b), Omsai Ram in Haiying (2005) and Bassuk (2000). Franchising is considered alternative given its ability to afford the natural and artificial persons as the franchisee, the opportunity to enter a well known and established business where management advice is provided; charges on the use of the franchise right is considered less expensive compared to the cost of setting up an independent business and it has ability of generating new jobs yearly as well as enhancing sales volume and value-Ram & Sheth (1998). This is in the face of the secured control the franchisor has over the franchisee and its outlets in terms of delivery and presentation of market offer, as activities are brought to bear in enhancing the recognition of the franchisor's name and image-Ludden (1999), and shane & Spell (1998). This work assessed the impact of franchise agreement on the economic growth and development drive of Nigeria given the relative imbalance between developed and developing economics and challenges of capital formulation.

Operational Frame Work:

Nigeria as a developing nation, is challenged by poor political policies that favour the high income earning class at the expense of the low income earners, thus the society is stratified as very few in the high income class and mass members of the low income class, with insignificant or no members of the middle class based on the structure, propensity to capital formulation for business investment is low hence direct investment and other modes of entry into foreign markets or attracting foreign investments is not favoured. The few high income earners with high investment capacity are also not exploiting optimally the advantages associated with franchising. This situation accounts reasonably for why the employment opportunity, sales volume enhancement and income generation as advantages traceable to franchising are not maximized in Nigeria. Given this, this work has its thrust as balancing the in-balance between the number of franchisees and franchisors in favour of Nigeria by attracting businesses to Nigeria as franchisees based on franchising and to encourage Nigerians to investment in other countries especially along the coast West Africa on franchise arrangement. The nation's trade balance has always been in deficit in favour of other nations and franchise balance show high level of franchisees as Nigerians rather than franchisor.

Significance of the Study:

Studies on franchise relationships with Nigeria as focus have dwelt on challenges, prospects and advantages as well as dis-advantages associated with operating in Nigeria as franchisors with Nigeria firms as franchisees- Chukwu (2004), Chamberlin (2006), Olumide (2007), Nworah (2006) and Ibru (2007). None is on the prospects of franchise, with Nigerian firms as franchisors as means of addressing the in balance of trade and exchange relationships between Nigeria, and other West African and African countries as well as the rest of the globe. Following these; this work is considered significant as it determines the constraints and challenges to franchising indigenous Nigeria products in West Africa, African and globally as means of generating revenue and positioning Nigeria and its products in the global economy.

Objectives of the Study:

This work has the objective of showcasing franchise international market entry strategy as a viable alternative for Nigerians (to entry into global markets given the paucity in ability at capital formulation for direct investment in foreign markets and as means of generating revenue and to position Nigeria and her products globally for acceptance and for desired economic development through growth.

Hypotheses:

This study is built on these hypothesis stated in null form

- H0₁:** Quality variance in favour of foreign product compared with Nigeria indigenous products does not significantly influence their acceptance beyond the shores, hence does not hinder Nigerian's franchise relationships with foreign firms as franchisors.
- H0₂:** The psychology of ownership of trade mark and patent rights given the desire for direct control of marketing operations, profit and output level does not significantly influence Nigerian entrepreneurs' desire to grant market offer franchise right to foreign firms.
- H0₃:** Non willingness to be committed to franchisees does not significantly affect the franchising of Nigeria products.
- H0₄:** The high level of dishonesty and unethical practices in Nigeria do not significantly influence national attitude to giving franchisee rights to non indigenous firms, based on fear of being taken advantage of.

3. Literature:

3.1 Introduction:

Franchising allows the franchisor to sale limited rights to the use its brand name to the franchisee in return for a lump sum of payment and or a share of the franchisee's profits –Bateman & Snell (1999). Franchise is considered a form of licensing agreement. However unlike total licensing, the franchisee based on agreement abides strictly to the rules as to how the business for which the franchise is granted will be executed. Franchise is more in the service industry as it is considered the key to low cost expansion given its relatively low-risk investment tendencies in the face of its ability at facilitating low cost of transfer of know-how, technology, training and management skills across the globe.

Liberalization of trade based on the elimination of customers' barriers has made it easier for firms to operate based on franchise principle. This is more enhanced based on international marketing research results that have led to the recognition of the heterogeneous nature of the global market for market segmentation in line with homogeneous characteristics of different sub markets in product and general market offer planning and delivery- Swartz (1997), Nichob (1996), Forest (1996) Business Week (1996); Cross Border Monitor S (1997), Bentley (1996) Lennon (1994) and Roger (1997).

Franchise is build on three polar structure made up of the franchisor (as owner of the business and the name in the system), the system (the business in which investment is made) and the franchisee as the investor and purchaser of the right of business ownership on specified term. The relationship succeeding between these polar structures based on contractual agreement-Preble (1992), could anchor on the product, name and process or

business format model. The synergy effect of these three (3) forms of franchise is considered most effective market and marketing expansion strategy.

Franchise as a form of licensing is based on simple legal procedures which recognize the rights of parties to the agreement and is subject to periodic review and is quite distant from distribution agreement which has provision for the roles of the manufacturer, (producer), importer and seller or distributors-exclusive agent or otherwise. The franchise relationship rather offers; the licensor the advantage of significant market presence in the licensee's base of operation and makes provision for licensor obligations that include training, monitoring and offering of technical advice to the franchisee.

3.2 Franchise in the Developing Economy:

Generally, international marketing offers national and international firms opportunities of increase in size of market offer in terms of quality and quantity with those of firms outside the domestic market, as it offers escape route to harsh political and economic domestic environmental conditions –Oko (2002) and is supportive where the domestic firm lacks financial, physical and managerial capacity desired to embark on foreign operation alone –Okpara (2002), thus is considered viable option amidst other benefit of franchise.

This accounts for the growth in acceptance of franchise in the developed world and currently among the developing nations especially based on the influence of some push and pull factors such as domestic saturation, increase in the rate and level of inter and intra industrial competition with inclination for generic competition and diminishing profit margin sequel to increase in cost of domestic operation as-Push and favourable macroeconomic indices, favourable demographic structural changes and relative political stable condition among nations especially among the developed nations as Pull,-Alon (2006).

In contrast, franchise is more practiced in the developed compared to the developing nations as franchisors. The poor rate of adoption of the franchise model of business in the developing economy as franchisors is more attributed to poor economic population as associated with poor level of per capita income –Bassuk (2000) and Frantin (2006).

In nations such as USA, China and Brazil franchise accounts for greater percentage of the GNP and GDP as it generates employment for the populace-Risner (2001), Haiying (2005) and Bassuk (2000). Statistics have it that the growth in the adoption of franchise model has a correspondence demise rate of such firm mostly as a result complex business environment, difficulties experienced by nations in the determination and control of quality of market offers, weak legal systems, uncertainties in the regulations of business activities as well as associated risks of protection of intellectual property rights across various nations-Gunarskara (2002). In the assertion of Ordich (2006), disparity associated with acceptance of franchise between the developed and developing economics is attributed to variations in level of awareness and education as nations. While franchise businesses especially in the area of fast food has impacted the Asian nations significantly, Nigeria and some other African nations are yet to experience this impact significantly –Risner (2001).

While businesses in the soft and alcoholic drinks, automobile, fast food, banking, pharmaceutical, hotel and hospitality, other services inclusive of telecommunication, conglomerates, beverages and other industries are faring well in Nigeria based on franchise relationships; Olumudu (2007) and Agbonifoh, Ogwo, Nnolim & Nkamnebe (2008), Nigeria indigenous businesses in different industries are yet to have significant impact on the economies of nations in the West coast of African, Africa and the rest of the globe based on franchise agreement as means yielding revenue for the nation (Nigeria) and as basis of economic development. This work offers product and other related reasons for the absence of Nigerian indigenous products in other nations on account of franchise.

3.3 Implementations of Franchising:

Generally, the franchise relationship with poor management and control strategies and relationship tracking device result, in brand dilution (distribution), risk of loss of valuable trade secrets, financial loss associated with outlet failures, erosion of product standardization and quality characteristics, high cost of performance

monitoring, distraction of innovative skills, extensive regulation resulting to financial and legal disclosures from the franchisors' perspective, and from the franchisee's perspective are issues such as high franchise fee, high start up cost, high royalty payment on routine basis, high cost of co-product promotion activities, inability to enjoy the benefits of innovative skills given loss of control of operation based on loss of (lack of) flexibility and creativity, high cost of termination of the contract-franchise and difficulties of exit especially given the long term nature of most franchise relations; high cost of equipment and supplies especially where relationships are based of spin-off arrangements –Oyawale (2004), GU(1994) and Oko (2013); erosion of right of the franchisee to terminate contract that is in favour of the franchisor, high level of uncertainty associated with contract renewal and lack of control over goodwill generated by the franchise based on operations-Chukwu (2014). These phases of limitations of the franchise relationships are attributed to weaknesses in legal and regulatory environments across different nations of the globe.

Given these limitations, this work identified additionally but psychological factors limit the franchisors' ability of the Nigeria products to sale beyond the shares of the nation.

3.4 Franchising Arrangements and Types:

Various franchising arrangements and types do exist. These include single unit where the franchisor has relationships with a number of franchisees owning and operating in locations; sequential franchise, where the franchisees are granted license one-at-a-time on, the prove that the franchisor is capable of maintaining and sustaining relationship with a franchisee before addition franchisee is enlisted. Thus it is difficult for franchisor to maintain direct involvement/relationship with each of the different franchisee; area development, where the franchisor grants the franchisee right to multiple franchisees on prove of capacity to manage such relationships based on self involvement with the effort of personnel as compliment; sub-franchising also referred to as master franchising involves two levels of franchise of the franchisor master and sub-franchisees. Where the master franchisee as franchisor to the sub –franchisee provides all supports in training and otherwise for the sub franchisee and the area representation franchising as a form of sub-franchising, the area representative as the master franchisee is delegated less responsibilities compared to the sub-franchisee by the franchisor – www.franchisemalaysia.com/establishing-and-justifying-edwardingobal.com/iop-content/uploads/2013/08/Egs-FW-1109 and www.nytimes.com/--/the---follows-life-of-edwin-edward.html. Based on the expectations of the franchisor as master or sub-franchisor and the franchisee, what level of commitment are Nigeria firms as franchisors willing and able to make to attract franchisees?

3.5 Challenges to Franchising in Nigeria.

Nigeria like other nations –developed and developing economies is subjected to the influence of global trends in technology and communication. The relative difference is that while the developed economies given their strengths and opportunities are harnessing associated threats and weakness for development through growth, Nigeria has paucity in tendencies for internal and external economic environment variables management. Thus rather than achieve development and growth, only growth is recorded. These growth tendencies have posed challenges to the practice of franchising in Nigeria both as franchisee and franchisor.

These challenges include:

- **Mono-Cultural Economy:**

Nigeria major source of revenue nationally and internationally is the petroleum product oriented. This product and its allied is demanded mostly by governments and few multi-national firms. Hence the desired impact of this product in aggregate is industrial and institutional market oriented, than consumer market. This makes the Nigeria market less amenable to globalization as a shift of global economy tends towards inter-dependency-Hill (2009). Given this situation most small and medium scale firms as hub of macroeconomic, activities in Nigeria are constrained in market activities participation. Even these small and medium scale business show interest in international marketing operation through franchise and other methods, the impact of competition limits their chances of survival given high the cost of operation.

- **Paucity of Technology of Operation:**

Most firms in Nigeria still operate based on out dated and obsolete technology that gives raise to product and production oriented problems of failure in stock level and or over stocking, resulting in loss of customers and tying down of capital respectively as well as break down in product facilities and turning out product ahead of consumers anticipation based on poor policies of market segmentation, or behind anticipation, product characteristics being out of consonance with the target markets' expectation and product technology usage not being acceptable to the market –Oko (2012). Following these, locally produced market offers are considered costly compared to those from the emerging economies of the globe such as China, India, Brazil and others hence the demand for Nigerian indigenous products is comparatively low.

- **Inadequate Funding of Firms:**

Statistics have it that Nigeria is one of the nations with the lowest per capita income-National Bureau of Statistics (2012), and World Development Report (2010). This makes it difficult for natural and artificial persons to save for investment. Thus the financing of private sector ventures is challenged. Government policies in the area of funding private sector small and medium scale businesses are corruptly implemented for negation in goal actualization. This accounts for the fewness of firms whose marketing operation is beyond the shares of Nigeria.

It must be noted equally, that the process of securing short, medium and long term credit facilities for economic activities in Nigeria is shrouded in risks, both form the borrowers and lenders perspectives-Manbula (2012); Mchanclan (2002), Assael (1992), Roselius (1971) and Oko and Etuk (2012).

- **High Cost of Operation:**

Based on the poor state of infrastructural development in Nigeria especially in the area of marketing logistics, communication and power (energy) supplies, the cost of operations has continued to increase. Thus most small scale businesses have closed shop, some medium and large scale business are transferring their operation base out of Nigeria to neighbouring West African countries. The consequent of this high cost of operation is high cost of per unit output; hence corporate outputs in Nigeria are less competitive compared to foreign products.

- **Multiplicity of Product Regulatory Activities:**

In product –goods and services –marketing and production activities are numerous regulatory codes with multiplicity of operation standards. These codes confuse the producers, marketers (vendors) as well as consumers, given varieties of expectations of the various groups as regulatory bodies -Oko & Ogwo (2014), by the codes. This however worst in the regulation of franchise operation where local, state and federal government laws and regulations are in operation concurrently and simultaneously thus making various demands on either or both the franchisor or franchisee. The clumsiness of these laws and regulations discourage the creation of franchise relationships to the disadvantage of economic development of Nigeria through growth.

Amidst these challenges, in Nigeria like in other economic, nations record favourable balance in the franchise relationship outside the country with their products compared to those coming inside from outside, hence record increase in national revenue based on international trade and marketing relationships. The question is why is it that the number and success rate of in-franchise in Nigeria is greater than out-franchise.

3.6 In and Out Franchise Relationship in Nigeria:

The current franchise market size industrially and sectorally in Nigeria as in activity base like the quick service restaurants (fast food), ICT training and consulting services, production and distribution of beverages, personal and business development services, transportation and oil /gas distribution is estimated at \$2.5 billion-Agu (2013), in the food franchising sub sector, coca cola and pepsi have very strong gripe of the market, having been established for a long period. In addition to these firms are KFC as major US food brand in Nigeria and many other firms investing in the country based on franchise agreement-US; CS Nigeria (2008). The growth, in the opinion of analysts is expected to continue over the foreseeable future and record spillover effects in and on other industries and sectors of the economy -Agu (2013), Bindir (2012), Campina (2012) and Ndumanya & Quadril ().

Other sectors of the economy have registered the influence of Crestcom International, Fastrackids International and Precession Auto. These franchisors are interested in exploiting the Nigeria market for profit in favour of business share and stock holders outside Nigeria, though based on investments with millions of Dollar that have the potential and propensity of spurring of employment, infrastructural development, standard of living and marketing activities through growth and development of small and medium scale businesses in Nigeria.

The questions are A! What is the position of Nigerian products and firms in the franchise closet? Are the Nigeria products not franchiseable in quality and quantity? Are the Nigerian brands so inferior that they cannot be franchisees? Are the attitudes of Nigerians as franchisors such that other nationals as entrepreneurs are afraid and not willing to entre into franchise relationships with Nigerians?

Currently, statistics show that while many firms are interested and are investing in the Nigeria franchise market, only few Nigeria indigenous companies as franchise have their presence outside Nigeria. Among these few Nigeria indigenous franchisors are the Lagos based Food Concepts and Entertainment whose subsidiaries are Chicken Republic and Butterfield Bakery with outlet in South Africa and Tanatalizers.

Based on this analysis, it may be important to indentify the challenges to Nigeria indigenous businesses maximizing the low business failure rate of 15% based on franchise compared with 80% rate that is among independent businesses as well as higher chances of business success based on franchise compared with independent start ups-African Development Bank

Identifying challenges to indigenous franchisor's relationship with foreign firms and nations is the focus of this work. This will aid Nigeria as a nation and its firms as franchisors to add new sources of revenue as franchise fees and royalties; reduce dependency on local market; leverage existing technology, know-how and intellectual property; gain competitive edge to the domestic market by brining to Nigeria new ideas from international licensees; enjoy strategic advantages in having a global franchise network and gain improved economics of scale through increased network growth-Edwards (2008).

Analysis:

The data base of research work is presented and analyzed as follows:

Test 1

Hypothesis 1 has its thrust as determining the impact of the quality of Nigeria indigenous market offers (products) on their acceptability beyond the national shores based on franchise relationships.

This is based on data in table 1.

Table 1: Impact of product quality variance of Nigeria products compared with foreign products on franchise relationship

Variance	Normal Value	Standard Value	Actual value Nigeria	Actual value Foreign	Nigeria Product	Franchise Services
Product meeting customer expectations and requirements –performance	1	0.98	0.78	.91	.12	.08
Reliability, serviceability and durability	1	0.91	0.64	.87	.25	.10
-customer service standard	1	0.94	0.52	.90	.31	.12
Complaint resolution for quality improvement	1	0.92	0.62	.89	.26	.11
Aesthetics packaging and features	1	0.95	0.59	.92	.27	.09
Business process and support service quality	1	0.96	0.66	.93	.26	.10
Price of market offer	1	0.97	0.70	.94	.24	.08

The hypothe are stated thus:

H0 Variance in quality in favour of foreign market offers compared to Nigeria indigenous market offers significantly influences the acceptance of Nigeria products beyond the shores hence does hinder franchise relationships with foreign firms.

HA₁: Variance in quality in favour of foreign market offers compared to Nigeria indigenous market offers does not significantly influence the acceptance of Nigeria product beyond the shores hence does not hinder franchise relationship with foreign firms.

Based on the adoption of analysis of variance (ANOVA) statistics, as a statistical technique for testing whether the mean of three or more populations are all equal-Oguma (2002). The actual values of Nigeria and foreign products in quality are measured for variance, as indices of measure of acceptance of the Nigerian indigenous products for franchise is determined by the mathematical notation 1 represented thus:

$$f = \frac{V_b}{V_w} = \frac{\text{between groups variance}}{\text{within groups variance}} = \frac{S^2_B}{S^2_w} \quad (1)$$

$$\text{Where } V_B = \frac{SSB}{df_B}; \text{ and } V_w = \frac{SSW}{df_w}$$

$$\begin{aligned} df_B &= \text{number of groups (k) minus 1} \\ df_w &= \text{number of cases within each subgroups (n) minus 1} \end{aligned}$$

$$\begin{aligned} \text{where: } V_B &= \text{Variance between groups} \\ V_w &= \text{variance within groups} \\ df_B &= \text{degree of freedom between groups} \\ df_w &= \text{degree freedom within groups} \end{aligned}$$

This test is conducted at 0.05 level of significance

Table 2. Rating of demand differential between Nigeria and foreign products, demand for product and franchise beyond the shores of Nigeria.

Demand differential services	Non demand for products beyond the shores	Non demand for Franchise
.18	.98	.92
.23	.75	.90
.38	.69	.88
.27	.74	.89
.33	.73	.91
.27	.74	.90
.20	.76	.92

Table 3. Computation of f-ratio:

Rating of demand differential between Nigeria and foreign products, demand for products and franchise beyond the shores

Demand differential		Non-demand for products Beyond the shores		Non-demand for Franchise services	
X _A	X ² _A	X _B	X ² _B	X _C	X ² _C
.18	.0324	.98	.9604	.92	.8464
.23	.0529	.75	.5625	.90	.8100
.38	.1444	.69	.4761	.88	.7744
.27	.0729	.74	.5476	.89	.7921
.33	.0521	.73	.5329	.91	.8281
.27	.0729	.74			
.20	.0400	.76	.5776	.92	.8464
ΣX _A =1.86	ΣX ² _A =0.468	ΣX _B =5.39	ΣX ² _B =4.205	ΣX _C =6.32	ΣX ² _C =5.707
$\bar{X}_A = 0.27$		$\bar{X}_B = 0.77$		$\bar{X}_C = 0.90$	
n = 7		n = 7		n = 7	

Grand mean = 0.65, SSB = 1.55, SSW = 0.034 and SST = 1.584

$$\therefore V_B = \frac{SSB}{df_w} = 0.775 \text{ and } V_w = \frac{SSW}{df_w} = 0.0019$$

Substituting the f –ratio in mathematical notation 1

$$F = \frac{V_B}{V_w} = \frac{0.775}{0.0019}$$

$$= 407.89$$

Table 4.
Summary of ANOVA

Source of Variance	df	Sum of square ss	Mean of squares ms	f- cal	Critical value of F	Significance	Decision
Between group	2	SSB = 1.550	$V_B = 0.7750$				
Within group	18	SSW = 0.034	$V_W = 0.0019$	407.89	2.77	Significant	Accept H_1
Total	20	1.584	0.7769				

At 0.05 level of significance, the critical value f is given as 2.77; since $f > f_{0.05}$ (2.77), hypothesis H_A is accepted, thus the conclusion is that variance in quality in favour of foreign market offers compared to Nigeria indigenous market offers significantly influences the acceptance of Nigeria products beyond the shores, hence does hinder franchise relationship with foreign firms.

Test 2

Hypothesis 2 evaluates the impact of psychology of ownership of trademarks and patent rights as well as desire for direct control of marketing operations, profit and output level on the willingness of Nigeria entrepreneurs as franchisors to grant franchise rights to foreign firms.

This is based on data on table 5

Table 5 Impact of psychology of ownership of firm on franchise relationship among Nigeria and the coast of West and South Africa entrepreneurs

Variables	Nigeria Entrepreneurs	Entrepreneurs at the shores of Nigeria
▪ The extent to which entrepreneurs accept the fact that power in organization can be distributed	.47	.45
▪ The extent to which entrepreneurs act on their own or as part of a group	.42	.45
▪ The extent to which entrepreneurs feel threatened by uncertain and ambiguous situations	.46	.48
▪ The extent to which entrepreneurs value quantity of life (accomplishment) over quality of life (compassion)	.57	.63
▪ The probability that the franchise relationship will not be executed as desired	.41	.38
▪ The consequences of the franchise relationship not being executed as desired	.54	.51
▪ The inability to reverse, and the cost reversing any negative consequences associated with the adoption of franchise/ granting franchise rights as franchisors.	.33	.31

The impact of psychology of ownership of firms on franchise relationship among Nigeria entrepreneurs and those of the coast of West and South Africa is evaluated based on the adoption of pearson correlation coefficient 'R', represented by mathematical notation 2 thus.

$$r_{xy} = \frac{\sum (x - \bar{X})(y - \bar{Y})}{nS_x S_y} \quad (2)$$

Where: x and y are each value of x and y
 $\bar{X}$ and $\bar{Y}$ are mean values of x and y
 S_x and S_y are standard deviation of x and y , and
 n is the number of paired values

For the purpose of this analysis, the hypothesis

H0₂: The psychology of ownership of trademarks and patent rights given desire for direct control of marketing operations, profit and output level does not significantly influence Nigeria entrepreneurs' desire to grant franchise rights to foreign firms.

This hypothesis is re-structured thus

H₀: $\mu = 0$ (there is a linear relationship between the psychology of ownership of firms and operations impacts on franchise between Nigeria entrepreneurs and those of entrepreneurs along the coast of West Africa and South Africa.

H_a: $\mu \neq 0$ (there is no linear relationship between the psychology of ownership of firms and operations impacts on franchise between Nigeria entrepreneurs and those of entrepreneurs along the coast of West Africa and South Africa.

Table 6: Required computations for calculating r_{xy}

Nigeria Entrepreneurs	Entrepreneurs in the Coast of West and South Africa					
X	Y	x - $\bar{x}$	(x - $\bar{x}$) ²	y - $\bar{y}$	(y - $\bar{y}$) ²	(x - $\bar{x}$) (y - $\bar{y}$)
.47	.45	-0.01	0.0001	-0.01	0.0001	0.0001
.45	.45	-0.03	0.0009	-0.01	0.0001	0.0400
.46	.48	-0.02	0.0004	0.02	0.0004	0.0004
.57	.63	0.09	0.0081	0.17	0.0289	0.0153
.45	.38	-0.03	0.0009	-0.08	0.0064	0.0024
.54	.51	0.06	0.0036	0.05	0.0025	0.0030
.38	.31	-0.10	0.0100	-0.15	0.0225	0.0150
Σx = 3.34	Σy = 3.21	Σ(x - $\bar{x}$) = 0.0240		Σ(y - $\bar{y}$) = 0.0609		Σ(x - $\bar{x}$) (y - $\bar{y}$) = 0.0762
$\bar{x}$ = 0.48	$\bar{y}$ = 0.46					

$$S_x = \sqrt{S_x^2} = 0.069$$

$$S_y = \sqrt{S_y^2} = 0.101$$

Substituting for mathematical notation 2

$$r_{xy} = \frac{\sum (x - \bar{x})(y - \bar{y})}{n S_x S_y}$$

$$= 1.562$$

To determine the significance of the correlation using the 't' student's test statistic with mathematical notation 3 shown as:

$$t = \frac{r\sqrt{n-2}}{1-r^2}$$

$$= 2.43$$

The value of 't', computed is 2.45, at 0.05 level of significance and 5 degrees of freedom, that is (7-2), the critical value of the 't' statistic is given as 2.015. The test is significant, thus the null hypothesis is rejected, ie that there is no linear correlation between the psychology of ownership of firms and operations impacts on franchise between Nigeria entrepreneurs and those of entrepreneurs along the coast of West and South Africa.

Conclusion therefore is that linear relationship exists in the impact of psychology of ownership of firms among Nigeria businesses and those of entrepreneurs in the coast of West and South Africa. Thus psychological factor variables and their impact are equal among businesses in Nigeria and other West and South Africa countries. Hence psychology of ownership variable does not hinder the ability and willingness of Nigeria businesses to enter into franchise relationships with foreign firms.

Test 3

The thrust of test 3 is the determination of the impact of non –willingness of Nigeria franchisors to be committed to franchisees on franchise relationship with firms beyond the shores of Nigeria.

The test is based on data presented in table 7

Table 7. Assessment of variables that make willingness to entre into franchise relationship in Nigeria vs non Nigeria firms

Variables	Nigeria firms	Non Nigeria firms
Attitude to:		
▪ To direct loss of income in the market due to franchise	35.35	26.10
▪ Loss of brand reputation in the market and potential in additional, similar and neighbouring market	44.80	9.90
▪ Loss of brand value for all stakeholders in the franchise organization and network	37.10	12.00
▪ Definition of benefits, risks, opportunities and challenges	41.30	8.10
▪ Protection of brand and intellectual propriety	46.90	9.95

To test for the non-willingness or otherwise of Nigeria firms compared to foreign firms to be committed to franchisees as franchisor, the weighted aggregate score as actual and numerator is divided by the standard weighted score as denominator as percentum. Where percentage score is 50 and above, non willingness is established, otherwise is willingness.

Hypotheses are stated thus:

H₀₃: Non willingness to be committed to franchisees as franchisors does not significantly affect the franchising of Nigeria products.

H_{A3}: Non willingness to be committed to franchisees as franchisors significantly affects the franchising of Nigeria products.

Table 8: Determination of willingness or otherwise to be committed to franchisees as franchisors by Nigeria compared with Non-Nigerian firms

Variables	Nigeria firms	Non Nigeria firms
Attitude to:		
▪ Direct loss of income in the market due to franchise	35.35	28.10
▪ Loss of brand reputation in the market and potentially in additional, similar and neighbouring markets	44.80	9.90
▪ Loss of brand value for all stakeholders in the franchise organization and network	37.00	12.00
▪ Definition of benefits, risks, opportunities and challenges	41.30	8.10
▪ Protection of brand and intellectual proprieties	46.90	4.95
Total score	205.45	61.05
Multiplier	25.00	25.00
Aggregate actual weighted score	5,136.25	1,526.25
Standard weighted score	10,000.00	10,000.00
Percentage aggregate actual weighted score over standard weighted score	51.36%	15.26%

Based on the computation in table 8, Nigerian firms as franchisors show less willingness to be committed to franchisees at 51.36% compared to foreign firms at 15.26%. It is therefore concluded that non willingness to be committed to franchisees as franchisors significantly affects the franchising of Nigeria products as H_{a3} is accepted.

To test for significance in difference or otherwise between willingness of Nigeria firms as franchisors to be committed to franchisees compared with foreign firms, the ‘t’ test statistic for difference of mean represented by mathematical notation 4 is adopted.

$$t = \frac{\bar{X} - \bar{X}^2}{\sqrt{\frac{S^2}{n_1} + \frac{S^2}{n_2}}} \quad (4)$$

Where: $\bar{X}_1$ = mean of the Nigerian firms
 $\bar{X}_2$ = mean of the foreign firms
 n_1 = sample size of Nigerian firms
 n_2 = sample size of foreign firms
 S^2_1 = variance (S^2_1) or standard deviation (S_1) of Nigerian firms
 S^2_2 = variance (S^2_2) or standard deviation of (S_2) of foreign firms

Hypothesis 3 is re-structured thus:

H₀₃: There is no significant difference between the willingness of Nigerian firms as franchisors to be committed to franchisees and that of foreign firms.

A₃: There is significant difference between the willingness of Nigerian firms as franchisors to be committed to franchisees and that of foreign firms.

Table 9 shows computation of values for measure of significance difference of willingness to be committed to franchisees between Nigerian Entrepreneur and those of West and South Africa.

Table 9: computation of values for measure of significance difference of willingness

X	X^2_1	X_2	X^2_2
35.35	1,249.62	26.10	681.21
44.80	2,007.04	9.90	98.01
37.10	1,376.41	12.00	144.00
41.30	1,705.69	8.10	65.61
46.90	2,199.61	4.95	24.50
$\Sigma X_1 = 205.45$	$\Sigma x^2_1 = 8,538.37$	$\Sigma x_2 = 61.05$	$\Sigma x^2_2 = 1,013.33$

Calculated values:

$$S_1 = 4.90, \quad S_2 = 8.18, \quad \bar{X}_1 = 41.09, \quad \bar{X}_2 = 12.21, \quad df = 5 + 5 - 2 = 8, \quad \text{and } n_1 + n_2 = 5$$

Thus substituting for mathematical notation 4

$$t = \frac{\bar{X} - \bar{X}^2}{\sqrt{\frac{S^2}{n_1} + \frac{S^2}{n_2}}}$$

$$= 17.94$$

The computed 't' statistic is 17.94; from the table, at 0.05 level of significance and at 8 degrees of freedom, the critical value is 1.860. Based on this, the null hypothesis is rejected as 't' statistic of 17.94 is greater than the critical value of 1.860. The conclusion is that the test is significant at 0.05 level of confidence. There is therefore significant difference between the willingness of Nigerian firms as franchisors to be committed to franchisees compared to foreign firms. This willingness, based on table 8 is more in favour of foreign firms.

Test 4

Test 4 determines the impact of the perceived high level of dishonesty and unethical practices in franchising on granting franchising rights to non-indigenous firms.

Test variables for this assessment are considered in table 10

Table 10: Impact of perceived high level of dishonesty and unethical practices on franchising indigenous Nigeria products.

Variables	Assessment Index	Impact on Franchising
▪ Inflating the cost of product development	.68	.38
▪ Inflating the cost of market development and customer education	.78	.40
▪ Inflating the cost of infrastructure development	.65	.42
▪ Inflating the cost of learning and eliminating product defects	.73	.52
▪ Possible cannibalization of existing product	.88	.41
▪ Unwillingness to bear costs of training and provision of support services	.69	.43

Basis of impact assessment:
50 and above –high (positive/encouragement)
Below 50 –low (negative/discouragement)

The test is based on the projected hypotheses thus:

H0₄: The perceived high level of dishonesty and unethical practices in franchise relationship significantly influences national attitude to granting franchise rights to non indigenous firms.

H0₄: The perceived high level of dishonesty and unethical practices in franchise relationship does not significantly influence national attitude to granting franchise rights to non indigenous firms.

Test is based on the use of spearman's rank correlation co-efficient as a non-parametric measure of correlation represented as equation 5

$$r_s = \frac{6\sum d^2}{N(N^2-1)} \quad (5)$$

Where: d = the difference between each rank of corresponding values of x and y
N = the number of pairs of values

This test is executed at 0.05 level of significance and the decision rule is to accept the null hypothesis if the r_s is less than the Qr_s

Table 11: The variance components of the r_s

Assessment Index	Impact measurement	R_x Ranking of	R_y Ranking of	$(R_x - R_y)$ =	$(R_x - R_y)^2$
x	y	x	y	d	d ²
.68	.52	5	1	-4	16
.78	.40	2	5	-3	9
.65	.42	6	3	3	9
.73	.38	3	6	3	9
.88	.41	1	4	-3	9
.69	.43	4	2	2	4
					<u>$\sum d^2 = 56$</u>

Substituting for mathematical notation 5

$$r_s = 1 - \frac{6\sum d^2}{N(N^2-1)}$$

$$= 0.60$$

The test of significance Qr_s for this test statistic is conducted using the mathematical notation 6

$$Qr_s = \frac{Z-1}{\sqrt{N-1}} \quad (6)$$

Substituting for mathematical notation 6

$$Qr_s = 0.800$$

Where z is standard normal deviation, which at 0.05 level of significance given as 1.96.

The results, based on the computation show that r_s as 0.605 less than Qr_s as 0.80, thus the null hypothesis is accepted. It is concluded that the test is insignificant at 0.05 level of confidence; hence the alternative hypothesis is rejected.

It is thus right to accept that the perceived high level of dishonesty and unethical practices in franchise relationship significantly influence national attitude to granting franchise rights to non-indigenous firms, especially based on fear of being exploited by the franchisors.

Findings:

Findings of this research exercise include:

- Nigeria indigenous products (goods and services) are judged to be of low quality relative to non-indigenous market offers. This variance in quality is attributed to poor product performance in terms of meeting the expectations of target markets; non reliability, non-durability and non serviceability; poor commitment of vendors (producers) to customers; poor customer complaints management activities; poor aesthetic value of products in terms of packaging, texture and others as well as high price of these market offers.
Cumulatively, these deficits in characteristics of Nigerian indigenous products constrain their acceptance in anticipated relationship by non-indigenous firms as franchisees.
- The Nigeria indigenous entrepreneurs like those of the coast of West and South Africa are not negatively influenced by psychology of ownership of firms, thus are willing to grant franchise rights to firms beyond the shores of Nigeria. These entrepreneurs are willing like they are in the banking, hospitality, telecommunication and other industries to share and distribute administrative power and authority; they value quantity of life (accomplishment) higher than quality of life (compassion), and are not threatened by uncertain and ambiguous business situations. However, Nigeria indigenous entrepreneurs are averse to the implicit cost implications of franchise relationship. To this extent, the psychology of ownership of firms with special regards to preserving trademarks and patent rights as well as desire for direct control of marketing operation, project and output level does not constrain the willingness of Nigeria indigenous entrepreneurs to enter into franchise relationships with firms beyond the shores of Nigeria.
- It is established that Nigeria indigenous entrepreneurs do not show reasonable willingness to be committed to franchisees beyond the shores of Nigeria given the observed and assessed poor disposition to direct loss of income in the franchise market; loss of brand reputation in the market, loss of brand value for stakeholders; definition of franchisee –franchisor relationship objectives in terms of benefits, risks, opportunities and challenges, as well as low degree of protection of brand and intellectual properties' right. These negative dispositions constitute challenges to franchising Nigeria indigenous products.
This in the situation unlike the non-indigenous franchisors, hence the large number of firms are operating in Nigeria on the condition of franchise –Agu (2013).
- Nigeria indigenous entrepreneurs are averse of the perceived high level of dishonesty and unethical practices common in franchisee –franchisor relationship, thus are not favourably disposed to granting franchise right to firms beyond the shores of Nigeria. These perceived dishonest and unethical practices are common in the area of inflation of the cost of product, market development, customer education, provision of infrastructure and learning and eliminating product defects. Other areas of perceived fraud are cannibalization of existing products and inflation of the cost of training and provision of support personnel.

This cost averse attitude of Nigerian indigenous entrepreneurs discourage the establishment of franchisor-franchisee relationship by Nigerians.

Discussion of Findings:

Various challenges militate against the franchise relationship between Nigeria firms as franchisors and foreign firms as franchisees. These range from the nature of product, marketing opportunities identification and assessment, measurement of benefits, risks and challenges management among others. These are discussed thus:

- Most Nigeria indigenous products command high core value compared to foreign products, however producers are poor in the area of product concept development and product positioning, hence these products in core, augment and symbolic characteristics do not satisfy the need of target markets. Product evaluations based on physical attributes, performance, benefits and image are often at variance with market expectations. New products in the development process do not often consider dynamisms in consumer behaviour inter and intra geographical markets, especially in comparison with foreign competing offer nor are these products priced based on the principles of single nor multi-line market offer.
In the area of product package and logo, most Nigerian products do not command good esthetic value, do not communicate good corporate and market offer image, lack ability at conveying desired information to current and potential target markets, nor do they add extra value to customers. It is also

observed that some Nigeria products as packaged do not offer convenience in usage neither do the package offer visibility and eligibility of inscriptions for attractiveness nor are they environmental friendly.

It is also observed that some of product consumers do not find it easy to pronounce and recall the names of some of these product, these products have names with literal and connotative (extended or implied) meanings that are not unique and widely acceptable. These names do also lack international appeal and in most cases are not legally acceptable.

Given these poor characteristics and features of Nigerian indigenous products; they lack appeal to foreigners as franchisees.

- The Nigeria entrepreneurs have actually not seen it as important to expand beyond national borders, especially as the home market is not yet saturated, hence efficiency and effectiveness in market offer planning is low especially as few planned marketing activities lack priorities, thus money is spent compared with results achieved.
- Evidences show that few efforts at entering into franchise relationships by Nigerians as franchisors with foreign firms as franchisees are and were executed with paucity in definition of associated benefits, risks, opportunities and challenges, hence franchise in terms of relationships with foreign firms as franchisees have cost Nigeria more that the anticipated benefits.
- Nigeria entrepreneurs find it difficult to determine with reasonable accuracy product gestation period as well as project payback period because required financial models that show investments and expected returns over time are not properly adopted, hence franchising is considered high risk involving, thus tendencies to protecting brand and intellectual property rights is high and investment in trademarks beyond the shores is considered unnecessary.
- Costs of training and providing support personnel and facilities for the franchisees beyond the national shores are considered unnecessary as well as the initial master franchise fees.
- There is also paucity in ability at determining the economy (nation) to site or accept franchisees as basis for assessing and determining best return on investment as Nigerian entrepreneurs are challenged in the choice of the right franchisees. Where decisions are taken, they are poorly done, whence expectations are not achieved.
- Nigeria entrepreneurs in franchisee relationships as franchisors are re-active rather than pro-active, hence decisions on master franchise to company per country, direct franchising as franchising for more up-front investment, for more control and more profit in long term basis; area or province franchising to larger 'countries' or a combination of these structures are based on re-actions to the trends of competition. Nigerian firms are disadvantaged given the growth of franchise across Australia, Europe, Latin America, USA and other parts of the globe.

Based on this discussion, Nigeria as a nation/economy and its firms is not yet mature for franchise relationships as franchisor.

Conclusion:

Nigeria can only benefit from the growth and development in franchise relationship as franchisor nation given the appreciation of the challenges in product development with bias for concept development and product positioning and appreciating and understanding of the current challenges of the franchise relationship.

Recommendations:

This work recommends as follows for efficiency in balancing the unfavourable position of Nigeria in franchisee, franchisor relationships:

- Nigeria firms interested in franchise relationships as franchisors must develop a crop of top managers who are international marketing rather than export marketing oriented, who must show serious inclination to strategic business growth based on vertical and horizontal market and product expansion and diversification and are committed to efficiency in the employment of corporate material and personnel resources for global market expansion.
- Nigeria entrepreneurs must be management pro-active rather re-active, thus activities must be plans motivated, and investments must be based on good quality forecast of investment gestation and return on investment periods.

- Operations must be based on timely, accurate, adequate, vital issues documentations especially in respect to the franchisor master franchisees relationships.
- Efforts at acquiring trademarks as starting point of achieving control over brand in other countries must be made before decisions on choice of franchisees.
- Investments in the provision of strong training and support facilities and personnel must be considered important, as well as on quality recording and reporting procedures of activities with the franchisees.
- Decisions on franchising as a franchisor must be based on careful selection of the right countries and right franchisees based on the understanding of the legal environment of the franchisees' nations for the maximization the benefits of franchise and the balancing of the in-balance against Nigeria in franchise relationships.

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